

TO: BOARD OF EDUCATION

ACTION/MAJOR

06/06/13

FROM: SANDRA LYON / JANECE L. MAEZ

RE: APPROVAL OF THE 2012-13 SPENDING PLAN FOR FUNDS RECEIVED FROM THE EDUCATION PROTECTION ACCOUNT (EPA)

RECOMMENDATION NO. A.23

It is recommended that the Board of Education receive information and approve the 2012-13 spending plan for funds received from the Education Protection Account (EPA) as required by the passage of Proposition 30 in November 2012.

COMMENT: The voters of California approved Proposition 30 on November 6, 2012 adding Article XIII, Section 36 to the California Constitution effective November 7, 2012. The provision of Article XIII, Section 36 created in the state General Fund an Education Protection Account (EPA) to receive and disburse the revenues derived from the incremental increases in taxes imposed the proposition. Prior to June 30th each year, the state Director of Finance is to estimate the total amount of additional revenue, less refunds that will be derived from the incremental increase in tax rates during the next fiscal year. The State Controller then transfers the amounts calculated into the EPA. All monies in the EPA are appropriated for the support of school district, county offices of education, charter schools and community college district. EPA monies cannot be used to pay costs incurred by the Legislature, the Governor or any agency of state government. School districts receiving EPA funds have the sole authority to determine how the monies from the EPA are spent within their jurisdiction. It is required that governing boards of a district make spending determination with respect to monies received from the EPA in open session of a public meeting of the governing board. The only restriction placed on local governing boards is that these funds shall not be used for salaries or benefits for administrators or any other administrative cost. Each agency must publish on its Internet website an accounting of how much money was received and how it was spent. There is a requirement for an annual independent audit to determine and verify whether the funds provided from the EPA have been properly disbursed and expended as required. This review and determination will become part of the districts regular independent audit performed each year.

The amount that a school district receives for EPA funding is determined in 2012-13 fiscal year by using the Revenue Limit calculation as a base. The maximum amount a district could receive is 20% of their revenue limit. A minimum level is also calculated. That number is \$200 per district ADA. For Santa Monica-Malibu Unified (SMMUSD), those two numbers are \$11,771,643 and \$2,173,776 respectively. To determine an individual district EPA amount, the Revenue Limit must first be calculated, subtract all local tax sources to determine the balance remaining to be funded by State Aid and/or EPA. For SMMUSD, the balance remaining is less than the minimum amount in 2012-13; therefore, the district should receive the minimum calculation of \$2,173,776 as EPA funding. Unlike the calculation for Basic Aid districts where excess local taxes reduce district funds by the Fair Share calculation; in the case of EPA, districts are allowed to retain the excess as unrestricted revenue. For SMMUSD, that excess is \$1,641,655 in 2012-13. This excess was caused by the significant amount of one time redevelopment funding received in the current year. We do not expect to continue receiving these funds in the future and should fall somewhere between the minimum and maximum EPA funding levels. Therefore, staff does

expect the excess funds to continue into future years. The chart that follows details how the EPA affects SMMUSD revenue in the 2012-13 year.

		SMMUSD 2012-13	
Revenue Limit Entitlement		58,858,213	
Local Property Taxes		49,542,296	
Redevelopment Funds		8,783,796	
Total Local Funds		58,326,092	A
Difference between Entitlement and Local Funds - to be funded by either EPA or State Aid		532,121	B
EPA Maximum (20% Entitlement)	11,771,643		
EPA Minimum (\$200 per ADA)	2,173,776	2,173,776	C
State Aid (B - C) If < 0, then 0	(1,641,655)	0	
SMMUSD Revenue Limit Totals	Total Local Funds – A	58,326,092	
	EPA Funds - C	<u>2,173,776</u>	
		60,499,868	

EPA funds in the amount of \$2,173,776 have been used in 2012-13 to pay a portion of Certificated Teacher Salaries and the appropriate line item transfers will be made at year end.

For 2013-14 through 2017-18 (the rest of the years that Proposition 30 will be effective), the EPA spending plan will be presented and approved by the Board at the time the budget for each year is adopted.

MOTION MADE BY: Dr. Escarce
 SECONDED BY: Ms. Leon-Vazquez
 STUDENT ADVISORY VOTE: N/A
 AYES: All (6) (Mr. Allen was absent)
 NOES: None (0)

SMMUSD 2012-13 Education Protection Account

SMMUSD 2012-13			
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State Aid (B - C)	(1,641,655)		
If < 0, then 0		0	
SMMUSD Revenue Limit Totals	Total Local Funds - A	58,326,092	
	EPA - C	2,173,776	
		60,499,868	
	Excess Funding	1,641,655	

Expenditures through:

Jun 30, 2013

For Fund(s), Resource(s), and Project Year(s):

01 1400 0 Education Protection Account

Description	Object Codes	Amount
AMOUNT AVAILABLE FOR THIS FISCAL YEAR		
Adjusted Beginning Fund Balance	9791-9795	0.00
Revenue Limit Sources	8010-8099	2,183,302.00
Federal Revenue	8100-8299	0.00
Other State Revenue	8300-8599	0.00
Other Local Revenue	8600-8799	0.00
All Other Financing Sources and Contributions	8900-8999	0.00
Deferred Revenue	9650	0.00
TOTAL AVAILABLE		2,183,302.00
EXPENDITURES AND OTHER FINANCING USES		
Certificated Salaries	1000-1999	2,183,302.00
Classified Salaries	2000-2999	0.00
Employee Benefits	3000-3999	0.00
Books and Supplies	4000-4999	0.00
Services and Other Operating Expenditures	5000-5999, except 5100-5199	0.00
Subagreements for Services	5100-5199	0.00
Capital Outlay	6000-6999	0.00
Other Outgo (Excluding Indirect Costs)	7000-7299, 7400-7499	0.00
Indirect Costs	7310,7350	0.00
Other Financing Uses	7600-7999	0.00
TOTAL EXPENDITURES AND OTHER FINANCING USES		2,183,302.00
BALANCE (Total Available minus Total Expenditures and Other Financing Uses)		0.00
INDIRECT COSTS AS A PERCENTAGE OF ELIGIBLE EXPENDITURES		
Eligible Expenditures (Objects 1000-5999 except objects 5100-5199)		2,183,302.00
Indirect Costs (Objects 7310 and 7350)		0.00
Indirect Costs divided by Eligible Expenditures		0.00%